



THE MUNICIPALITY

[THESE FINANCIAL STATEMENTS HAVE BEEN AUDITED]

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2012

KAREEBERG LOCAL MUNICIPALITY

Index

CONTENTS

General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Report of the Chief Financial Officer	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 34
Notes to the Financial Statements	35 - 63

APPENDICES - Unaudited

A Schedule of External Loans	64
B Analysis of Property, Plant and Equipment	65 - 66
C Segmental Analysis of Property, Plant and Equipment	67 - 68
D Segmental Statement of Financial Performance	69 - 70
E (1) Actual Versus Budget (Revenue and Expenditure)	71 - 72
E (2) Actual Versus Budget (Acquisition of Property, Plant and Equipment)	73 - 74
F Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	75

KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

Carnarvon

Vosburg

Vanwyksvlei

MAYOR

Mr N.I. Titus

MUNICIPAL MANAGER

Mr Z.E. Dingile (Acting since 1 June 2012)

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

Hanau Street,

CARNARVON,

9825

AUDITORS

Office of the Auditor General (NC)

McDougal Street,

Kimberley, 8301

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1996)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUncILLOR
1	Mr J.E.J. Hoorn
2	Mr D.P. Jason
3	Ms D. Olifant
4	Mr N. Titus
Proportional	Ms E.L. Riley
Proportional	Mr J. Horne
Proportional	Mr P. Viviers

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 63 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

31 August 2012

Date

Mr Z.E. Dingile
Municipal Manager (Acting)

KAREEBERG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Kreeberg Local Municipality for the fiscal year 2011/2012

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Kreeberg Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic down turn and the Eskom issues continue to play havoc with good financial management. The Kreeberg economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial departments take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 JUNE 2012	30 JUNE 2011
Surplus / (Deficit) for the year before Appropriations	8 091 711	9 852 380
Accumulated Surplus / (Deficit) at the end of the Year	95 297 681	87 207 295
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	25.53%	25.78%
Remuneration of Councillors	3.90%	3.91%
Debt Impairment	0.00%	0.41%
Depreciation and Amortisation	6.42%	6.62%
Impairments	0.00%	0.05%
Repairs and Maintenance	1.66%	1.83%
Actuarial losses	0.19%	2.19%
Finance Charges	1.91%	1.80%
Bulk Purchases	14.54%	11.78%
Grants and Subsidies	17.21%	16.88%
Other Operating Grant Expenditure	18.94%	19.48%
Loss on disposal of Property,Plant and Equipment	0.19%	0.04%
General Expenses	9.40%	9.14%
Current Ratio:		
Creditors Days	27	33
Debtors Days	100	203

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ratio is. It should be noted that a ratio improvement has been achieved despite the massive increases in Eskom charges.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	87 207 295	81 200 798	7.40%	-	-
Operating income for the year (incl. gains in disposal of assets)	51 310 179	50 670 162	1.26%	45 171 748	13.59%
Appropriations for the year	(1 325)	(3 845 883)	-99.97%	-	-
	138 516 149	128 025 077	8.19%	45 171 748	
Expenditure:					
Operating expenditure for the year	43 218 469	40 817 781	5.88%	40 205 748	7.49%
Closing surplus / (deficit)	95 297 681	87 207 295	9.28%	-	-
	138 516 149	128 025 077	8.19%	40 205 748	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 10 246 520 (2010/2011: R 12 440 419), and in percentage terms amounts to 129% of capital budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

The capital expenditure of R 10 246 520 (2011/12) was financed as follows:

DETAILS	Actual 2011/2012 R	Budgeted 2011/2012 R	Percentage Variance %	Source of funding as % of total Cap exp
Donations	121 297	-	100.00%	1.18%
Grants and Subsidies	10 083 164	7 892 000	27.76%	98.41%
Own Recourses	42 059	-	100.00%	0.41%
	10 246 520	7 892 000		100.00%

5. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	12 904 491	12 156 728
Provision for Post Retirement Benefits	5 684 943	5 415 861
Provision for Long Service Awards	729 204	559 587
Provision for Rehabilitation of Landfill-sites	6 490 344	6 181 280
	12 904 491	12 156 728

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 3 and 4 for more detail.

6. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 5	268 759	244 389
Current Employee benefits	Note number 6	1 347 518	1 330 534
Payables from exchange transactions	Note number 7	877 202	902 009
Unspent Conditional Government Grants and Receipts	Note number 8	2 068 028	3 509 447
Taxes	Note number 9	-	-
		4 561 507	5 986 378

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations, as all these liabilities are cashbacked.

Refer to the indicated Note numbers for more detail.

7. INTANGIBLE ASSETS

The net value of Intangible Assets is:	92 452	155 349
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These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 12 for more detail.

8. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is: 88 863 923 81 274 883

Refer to Note number 10 for more detail.

9. INVESTMENT PROPERTIES

The net value of Investment Properties is: 10 214 982 10 227 346

Refer to Note number 11 for more detail.

10. CAPITALISED RESTORATION COST

The net value of Capitalised Restoration Cost is: 1 448 954 1 617 423

Refer to Note number 13 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables: Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When an employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

57 003 61 969

Refer to Note number 14 for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:

Trade Receivables from exchange transactions	Note number 15	1 982 644	2 352 064
Other Receivables from non-exchange transactions	Note number 16	1 350	16 511
Operating Lease Asset	Note number 17	14 216	10 634
Current Portion of Long-term Receivables	Note number 14	9 045	8 692
Cash and Cash Equivalents	Note number 18	21 602 265	21 147 362
		<u>23 609 521</u>	<u>23 535 264</u>

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 8 and 20 as well as Appendix E for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 43

15. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Head of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

Mr. P.B. Rossouw
CHIEF FINANCIAL OFFICER
31 August 2012

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		106 820 837	98 729 127
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	120 895	119 570
Revaluation Reserve	2	54 450	54 450
Accumulated Surplus		95 297 681	87 207 295
Non-Current Liabilities		12 904 491	12 156 728
Employee benefits	3	6 414 147	5 975 448
Non-Current Provisions	4	6 490 344	6 181 280
Current Liabilities		4 561 507	5 986 378
Consumer Deposits	5	268 759	244 389
Current Employee benefits	6	1 347 518	1 330 534
Payables from exchange transactions	7	877 202	902 009
Unspent Conditional Government Grants and Receipts	8	2 068 028	3 509 447
Taxes	9	-	-
Total Net Assets and Liabilities		124 286 835	116 872 233
ASSETS			
Non-Current Assets		100 677 314	93 336 969
Property, Plant and Equipment	10	88 863 923	81 274 883
Investment Property	11	10 214 982	10 227 346
Intangible Assets	12	92 452	155 349
Capitalised Restoration Cost	13	1 448 954	1 617 423
Long-Term Receivables	14	57 003	61 969
Current Assets		23 609 521	23 535 264
Trade Receivables from exchange transactions	15	1 982 644	2 352 064
Other Receivables from non-exchange transactions	16	1 350	16 511
Operating Lease Asset	17	14 216	10 634
Current Portion of Long-term Receivables	14	9 045	8 692
Cash and Cash Equivalents	18	21 602 265	21 147 362
Total Assets		124 286 835	116 872 233

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Actual) R	Correction of Error - Note 33.04 R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		33 115 766	33 751 910	-	33 751 910
Taxation Revenue		3 878 347	3 908 466	-	3 908 466
Property taxes	19	3 878 347	3 908 466	-	3 908 466
Transfer Revenue		28 860 165	29 592 280	-	29 592 280
Government Grants and Subsidies - Capital	20	10 088 203	12 592 430	-	12 592 430
Government Grants and Subsidies - Operating	20	18 650 665	16 999 850	-	16 999 850
Contributed PPE		121 297	-	-	-
Other Revenue		377 254	251 165	-	251 165
Actuarial Gains		339 167	152 991	-	152 991
Third Party Payments		-	59 494	-	59 494
Licences and Permits		11 202	14 737	-	14 737
Unamortised discount - Interest		4 079	4 290	-	4 290
Fines		22 806	19 652	-	19 652
Revenue from Exchange Transactions		18 194 413	16 918 251	-	16 918 251
Property Rates - Penalties & Collection Charges		199 288	248 377	-	248 377
Service Charges	21	14 856 392	13 123 661	-	13 123 661
Rental of Facilities and Equipment		525 966	448 365	-	448 365
Interest Earned - external investments		925 184	1 115 642	-	1 115 642
Interest Earned - outstanding debtors		3 677	4 009	-	4 009
Agency Services		119 540	105 017	-	105 017
Other Revenue	22	1 564 367	1 873 180	-	1 873 180
Total Revenue		51 310 179	50 670 162	-	50 670 162
EXPENDITURE					
Employee related costs	24	11 033 999	10 521 713	-	10 521 713
Remuneration of Councillors	25	1 687 659	1 597 732	-	1 597 732
Debt Impairment	26	-	167 488	-	167 488
Depreciation and Amortisation		2 776 645	2 703 860	136 245	2 567 616
Capitalised Restoration Cost Impairment		48 502	39 398	39 398	-
Impairments	27	-	19 801	-	19 801
Repairs and Maintenance		715 358	745 904	-	745 904
Actuarial losses	3	79 983	894 809	-	894 809
Finance Charges	28	826 755	734 206	299 718	434 488
Bulk Purchases	29	6 283 489	4 806 898	-	4 806 898
Grants and Subsidies	30	7 436 334	6 888 136	-	6 888 136
Operating Grant Expenditure	31	8 184 665	7 949 370	-	7 949 370
Loss on disposal of Property, Plant and Equipment		81 101	15 944	-	15 944
General Expenses	32	4 063 978	3 732 521	-	3 732 521
Total Expenditure		43 218 469	40 817 781	475 361	40 342 420
NET SURPLUS FOR THE YEAR		8 091 711	9 852 380	(475 361)	10 327 741

KARREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 JULY 2010					
Net Surplus/(Deficit) for the year	54 450	362 183	11 347 812	81 200 798	92 965 243
Correction of error - See Note 33.04	-	-	-	10 327 741	10 327 741
Transfer to Housing Development Fund	-	-	-	(475 361)	(475 361)
		(242 614)	-	242 614	-
Balance at 30 JUNE 2011					
Correction of error - See Note 33.03	54 450	119 570	11 347 812	91 295 792	102 817 623
	-	-	-	(4 088 496)	(4 088 496)
Restated Balance at 1 JULY 2011					
Net Surplus/(Deficit) for the year	54 450	119 570	11 347 812	87 207 295	98 729 127
Transfer to Housing Development Fund	-	-	-	8 091 711	8 091 711
	-	1 325	-	(1 325)	-
Balance at 30 JUNE 2012					
	54 450	120 895	11 347 812	95 297 681	106 820 837

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		24 576 624	9 357 683
Government - operating/capital		28 805 445	29 592 280
Interest		886 509	1 119 651
Payments			
Suppliers and employees		(35 453 386)	(27 960 080)
Finance charges	28	(826 755)	(734 206)
Transfers and Grants		(7 436 334)	(6 888 136)
Net Cash from Operating Activities		<u>10 552 104</u>	<u>4 487 192</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(10 125 223)	(12 440 419)
Proceeds on Disposal of Fixed Assets		0	13 806
Purchase of Intangible Assets		(5 039)	(193 061)
Net Cash from Investing Activities		<u>(10 130 263)</u>	<u>(12 619 673)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		8 692	8 360
Increase/(Decrease) in Consumer Deposits		24 370	19 210
Net Cash from Financing Activities		<u>33 062</u>	<u>27 570</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>454 903</u>	<u>(8 104 912)</u>
Cash and Cash Equivalents at the beginning of the year		21 147 362	29 252 274
Cash and Cash Equivalents at the end of the year	35	21 602 265	21 147 362
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>454 903</u>	<u>(8 104 912)</u>

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements</p>	Unknown

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	which do not form part of the audited financial statements.	
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 107	Mergers	Unknown

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(Original – Nov 2010)	<p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.2 *Housing Development Fund*

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income, interest and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of Department of Co-operative Governance.

1.8.3 *Revaluations Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.12. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is partially funded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under this plan is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs.

(c) *Provision for Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Accumulated leave is vesting.

(d) *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends

(e) *Pension and retirement fund obligations*

The Municipality provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against expenditure in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) *Other Short-term Employee Benefits*

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.13.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.4 Depreciation and Impairment

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
Infrastructure		Other	
Roads and Paving	4-70	Buildings	30
Refuse	20-40	Specialist vehicles	3-30
Electricity	5-50	Other vehicles	5-30
Water	3-100	Office equipment	3-30
Sewerage	3-100	Furniture and fittings	3-30
Housing	10-50	Watercraft	15
		Bins and containers	5
Community		Specialised plant and	
Buildings	30	Equipment	10-30
Recreational Facilities	30	Other plant and	
Security	30	Equipment	3-30
Halls	30	Landfill sites	3-50
Libraries	30	Quarries	25
Parks and gardens	30	Emergency equipment	5-20
Other assets	10-30	Computer equipment	3-10
Finance lease assets			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.13.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality opted to take advantage of the transitional provisions as disclosed in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1 *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.14.2 *Subsequent Measurement – Cost Model*

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 *Amortisation and Impairment*

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	3-5
Computer System	5-10

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as disclosed in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.15.3 *Depreciation and Impairment – Cost Model*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	30

1.15.4 *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 *Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as disclosed in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.16. NON-CURRENT ASSETS HELD FOR SALE

1.16.1 *Initial Recognition*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.16.2 *Subsequent Measurement*

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower.
- less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.19. INVENTORIES

1.19.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.20.1 *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.20.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The balance as at 30 June included accumulated interest.

1.20.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.3 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities. Other financial liabilities carried at amortised cost.

1.20.3 *De-recognition of Financial Instruments*

1.20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.20.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.20.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21. REVENUE

1.21.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.21.2 *Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All managers or members of the entity, being the Mayor and members of the Council.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.27. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill sites at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	11 523 157	11 521 831
Housing Development fund	11 347 812	11 347 812
Revaluation Reserve	120 895	119 570
	54 450	54 450
	<u>11 523 157</u>	<u>11 521 831</u>
Total Net Asset Reserves		
EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	5 684 943	5 415 861
Long Service Awards - Refer to Note 3.2	729 204	559 587
Total Non-current Employee Benefit Liabilities	<u>6 414 147</u>	<u>5 975 448</u>
<i>Post Retirement Benefits</i>		
Balance 1 July	5 592 057	4 300 494
Contribution for the year	680 904	545 169
Expenditure for the year	(138 755)	(148 415)
Actuarial Loss/(Gain)	(339 167)	894 809
	<u>5 805 039</u>	<u>5 592 057</u>
Total post retirement benefits 30 June		
<i>Less:</i> Transfer of Current Portion - Note 6	(120 096)	(176 195)
Balance 30 June	<u>5 684 943</u>	<u>5 415 861</u>
<i>Long Service Awards</i>		
Balance 1 July	658 760	701 173
Contribution for the year	144 133	185 455
Expenditure for the year	(100 308)	(74 677)
Actuarial Loss/(Gain)	79 983	(152 991)
	<u>782 568</u>	<u>650 760</u>
Total long service awards 30 June		
<i>Less:</i> Transfer of Current Portion - Note 6	(53 364)	(99 173)
Balance 30 June	<u>729 204</u>	<u>559 587</u>
<i>TOTAL NON-CURRENT EMPLOYEE BENEFITS</i>		
Balance 1 July	6 250 817	5 001 667
Contribution for the year	835 037	730 624
Expenditure for the year	(239 063)	(223 292)
Actuarial Loss/(Gain)	(259 184)	741 818
	<u>6 567 607</u>	<u>6 250 817</u>
Total employee benefits 30 June		
<i>Less:</i> Transfer of Current Portion - Note 6	(173 460)	(275 369)
Balance 30 June	<u>6 414 147</u>	<u>5 975 448</u>
3.1 Post Retirement Benefits	2012 R	2011 R
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	15	16
Continuation members (e.g. Retirees, widows, orphans)	4	6
Total Members	<u>19</u>	<u>22</u>
The liability in respect of past service has been estimated to be as follows:		
In-service members	4 635 740	4 037 568
Continuation members	1 169 299	1 554 469
Total Liability	<u>5 805 039</u>	<u>5 592 057</u>
The liability in respect of periods commencing prior to the comparative year has been	2010 R	2009 R
In-service members	2 874 179	2 076 250
Continuation members	1 426 315	1 215 224
	<u>4 300 494</u>	<u>3 291 474</u>
Total Liability		
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Hosmed		1 700 665
LA Health		1 261 153
The Municipality's Accrued Unfunded Liability at 30 June 2012 is estimated at R5 805 million. The Current-service Cost for the year ending 30 June 2012 is estimated at R219,664. It is estimated to be R245,693 for the ensuing year.		2 961 818

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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3.1 EMPLOYEE BENEFITS (CONTINUE)

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Net liability/(asset)

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

Total expenses

Current service cost

Interest Cost

Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

Less: Transfer of Current Portion - Note 6

Balance 30 June

782 568	658 760
<u>782 568</u>	<u>658 760</u>
658 760	701 173
44 960	16 495
97 682	134 998
46 451	50 457
(89 173)	(168 950)
78 848	(58 908)
<u>78 848</u>	<u>(58 908)</u>
782 568	658 760
(53 364)	(99 173)
<u>(53 364)</u>	<u>(99 173)</u>
729 204	559 587
<u>729 204</u>	<u>559 587</u>

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions	1%	0.783	6%
General salary inflation	-1%	0.827	-5%
General salary inflation	-2 yrs	0.741	-26%
Average retirement age	2 yrs	0.579	6%
Average retirement age	-50%	0.630	10%
Withdrawal rates		0.861	

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

2012
R

2011
R

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2010 - 103.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% or 23% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in an sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Whilst this has decreased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance

881 935 773 919

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R	2011 R
-----------	-----------

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites
Total Non-current Provisions

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

Landfill Sites

Balance 1 July

Balance previously reported
 First time recognition of Capitalised Restoration Cost - At Cost- Note 33.02

Contribution for the year

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions

Balance 30 June

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction

6 181 280	5 881 562
-	5 881 562
309 064	299 718
6 490 344	6 181 280
6 490 344	6 181 280

Carnarvon	Vosburg	Vanwyksvlei
31 900	11 200	2 100
31 900	11 200	2 100
420	620	95
410	-	110
810	-	-
Fence (m)	-	-

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>
Carnarvon	2023	9 526 448
Vanwyksvlei	2015	1 029 714
Vosburg	2033	7 989 059
		18 545 221
		18 545 221

2012 R	2011 R
-----------	-----------

5 CONSUMER DEPOSITS

Water & Electricity
Total Consumer Deposits

2012 R	2011 R
-----------	-----------

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

2012 R	2011 R
-----------	-----------

6 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3
 Current Portion of Long-Service Provisions - Note 3
 Provision for Performance Bonuses
 Provision for Annual Bonuses
 Provision for Staff Leave

120 096	176 196
53 364	99 173
198 340	160 818
198 827	179 265
776 890	715 082
1 347 518	1 330 534

Total Current Employee Benefits

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	176 196
Transfer from non-current	82 655
Expenditure incurred	(138 755)
Balance at end of year	120 096

176 196	159 468
82 655	165 143
(138 755)	(148 415)
120 096	176 196

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	99 173
Transfer from non-current	54 499
Expenditure incurred	(100 308)
Balance at end of year	53 364

99 173	168 960
54 499	5 090
(100 308)	(74 877)
53 364	99 173

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

6 CURRENT EMPLOYEE BENEFITS (CONTINUE)

Provision for Performance Bonuses

Balance at beginning of year	160 818	
Contribution to current portion	208 050	160 818
Expenditure incurred	(170 528)	
Balance at end of year	<u>198 340</u>	<u>160 816</u>

Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance by the council. There is no possibility of reimbursement.

Provision for Staff Leave

Balance at beginning of year	715 082	529 689
Contribution to current portion	251 568	185 393
Expenditure incurred	(189 779)	
Balance at end of year	<u>776 890</u>	<u>715 082</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for Annual Bonuses

Balance at beginning of year	179 265	153 507
Contribution to current portion	19 563	25 758
Balance at end of year	<u>190 827</u>	<u>179 265</u>

Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.

7 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	705 466	726 970
Payments received in advance	169 655	172 822
Other Payables	2 081	2 217
Total Trade Payables	<u>877 202</u>	<u>902 009</u>

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	2 068 028	3 509 447
National and Provincial Government Grants		
Total Conditional Grants and Receipts	<u>2 068 028</u>	<u>3 509 447</u>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9 TAXES

VAT Payable
Less: Contribution to provision for impairment of trade receivables from exchange transactions

2012
R

2011
R

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost WIP R	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Accumulated Depreciation R	Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	31 088 572	13 611	-	74 500	31 127 683	481 255	-	77 330	-	-	558 585	30 569 088
Land	28 503 500	-	-	74 500	28 509 000	-	-	-	-	-	558 585	28 509 000
Buildings	2 505 072	113 611	-	-	2 618 683	481 255	-	77 330	-	-	2 060 058	-
Infrastructure	49 147 492	2 915 711	6 963 787	-	59 026 990	4 122 535	-	1 961 192	-	-	6 083 727	52 943 253
Electricity	4 330 597	-	-	4 330 597	152 895	198 675	-	-	-	-	351 570	3 979 028
Road Transport	12 048 294	2 637 574	4 708 714	-	19 354 583	1 261 400	498 720	-	-	-	1 760 120	17 634 483
Sanitation	17 265 223	12 461	2 255 072	-	19 533 757	1 175 640	670 249	-	-	-	1 845 889	17 687 888
Solid Waste Disposal	1 377 431	-	-	-	1 377 431	265 919	65 623	-	-	-	92 542	1 284 850
Stormwater	2 12 709	265 676	-	-	478 385	28 502	20 950	-	-	-	49 452	428 933
Water Supply	13 912 236	-	-	-	13 912 236	1 477 179	506 975	-	-	-	1 984 153	11 928 083
Community Assets	3 808 314	121 297	-	-	3 929 611	904 081	100 420	-	-	-	1 004 501	2 925 109
Recreation Grounds	1 277 432	-	-	-	1 277 432	376 250	31 160	-	-	-	407 411	870 021
Civil Buildings	651 277	-	-	-	651 277	237 773	14 298	-	-	-	252 071	399 206
Cemetery	18 000	-	-	-	-	18 000	2 402	-	-	-	15 059	-
Museum	450 000	-	-	-	-	450 000	60 041	13 484	-	-	73 525	376 475
Clinic	451 000	-	-	-	-	451 000	60 175	13 514	-	-	73 688	377 312
Libraries	834 384	-	-	-	-	834 384	104 295	25 244	-	-	129 540	704 844
Parks & Gardens	41 070	-	-	-	-	41 070	20 546	710	-	-	21 256	19 814
Public Conveniences/Bathhouses	85 150	121 297	-	-	-	206 447	42 559	1 471	-	-	44 070	162 377
Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	19 176	-	-	-	-	19 176	-	-	-	-	-	19 176
Historical Buildings	4 900	-	-	-	-	4 900	-	-	-	-	-	-
Furniture & Fittings	10 000	-	-	-	-	10 000	-	-	-	-	-	-
Other Assets	4 276	-	-	-	-	4 276	-	-	-	-	-	-
Motor Vehicles	6 332 942	132 114	-	312 218	6 152 838	3 613 742	438 169	306 349	3 745 562	-	-	2 407 276
Plant & Equipment	2 523 586	-	-	4 190	2 529 396	1 423 639	209 289	4 190	1 629 039	-	-	900 358
Office Equipment	1 057 919	394	-	124 354	933 958	683 360	76 641	124 354	635 867	-	-	298 051
Furniture & Fittings	522 118	23 904	-	34 868	521 150	300 062	30 972	34 868	296 165	-	-	224 984
Fire Engines	921 045	46 967	-	72 816	697 196	539 039	48 504	72 650	515 794	-	-	381 402
Computer Equipment	16 685	-	-	-	16 685	10 341	636	-	10 977	-	-	5 708
Refuse Tankers	550 239	32 404	-	70 290	512 353	252 661	40 266	70 287	222 640	-	-	289 713
Game	549 766	-	-	-	549 766	403 220	31 860	-	435 080	-	-	114 566
	171 584	26 450	-	5 700	192 334	-	-	-	-	-	-	192 334
	90 356 496	3 282 734	6 983 787	386 718	100 256 298	9 121 613	2 577 111	306 349	11 392 375	-	-	88 863 923

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost WIP R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Accumulated Depreciation R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings											
Land	31 034 500	54 072	-	-	31 088 572	399 046	62 209	-	-	481 255	30 607 316
Buildings	28 583 500	-	-	-	28 583 500	399 046	82 209	-	-	481 255	28 583 500
Infrastructure	2 451 000	54 072	-	-	2 505 072	-	-	-	-	2 023 816	-
	37 134 932	12 017 317	-	4 756	49 147 492	2 618 956	1 508 296	4 718	4 122 535	45 024 957	-
Electricity	1 391 545	2 939 053	-	-	4 330 597	109 254	43 641	-	-	152 895	4 177 702
Road Transport	7 731 387	4 316 907	-	-	12 048 294	895 315	356 085	-	-	1 261 400	10 786 894
Sanitation	15 919 297	1 346 926	-	-	17 266 223	602 238	573 402	-	-	1 175 640	16 090 584
Solid Waste Disposal	-	1 377 431	-	-	1 377 431	-	-	-	-	26 919	1 350 513
Stormwater	212 709	-	-	-	212 709	21 381	7 121	-	-	28 502	184 207
Water Supply	11 855 237	2 036 999	-	-	13 912 236	986 070	491 109	-	-	1 477 179	12 435 088
Reservoirs/Pumps - Waste Management	4 709	-	-	4 709	-	4 668	16	4 684	-	-	-
Main: Water	47	-	-	47	-	30	5	35	-	-	-
Community Assets	3 808 314	-	-	-	3 808 314	777 137	126 944	-	-	504 081	2 904 233
Recreation Grounds	1 277 432	-	-	-	1 277 432	333 669	42 581	-	-	376 250	901 182
Civil Buildings	651 277	-	-	-	651 277	216 064	21 709	-	-	237 773	413 504
Cemetery	18 000	-	-	-	-	18 000	1 802	600	-	2 402	15 598
Museum	450 000	-	-	-	-	450 000	45 041	15 000	-	60 041	389 959
Clinic	451 000	-	-	-	-	451 000	45 141	15 033	-	60 175	390 825
Libraries	834 384	-	-	-	-	634 384	76 482	27 813	-	104 295	730 088
Parks & Gardens	41 070	-	-	-	-	41 070	19 177	1 369	-	20 546	20 524
Public Conveniences/Bathhouses	65 150	-	-	-	-	85 150	39 760	2 838	-	42 599	42 552
Lease Assets	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	19 176	-	-	-	19 176	-	-	-	-	-	19 176
Historical Buildings	4 900	-	-	-	4 900	-	-	-	-	-	-
Vehicles	10 000	-	-	-	10 000	-	-	-	-	-	4 900
Furniture & Fittings	4 275	-	-	-	4 276	-	-	-	-	-	10 000
Other Assets	6 070 700	369 030	-	106 788	6 332 942	2 875 949	795 067	57 275	3 613 742	2 719 200	-
Motor Vehicles	2 553 586	-	-	-	2 533 586	1 028 041	394 898	-	-	1 423 939	1 109 647
Plant & Equipment	1 020 776	68 483	-	31 340	1 057 919	584 971	121 870	23 260	683 580	374 339	-
Office Equipment	531 408	35 224	-	34 513	532 118	255 323	70 938	26 199	300 062	232 057	-
Furniture & Fittings	886 247	39 942	-	5 145	921 045	443 158	101 926	5 145	539 939	381 106	-
Fire Engines	16 685	-	-	-	16 685	8 229	2 112	-	10 341	6 344	-
Computer Equipment	357 996	198 281	-	6 039	550 239	203 927	51 404	2 671	252 661	297 578	-
Refuse Tankers	549 766	-	-	-	549 766	351 300	51 920	-	403 220	146 546	-
Game	174 234	27 100	-	29 750	171 584	-	-	-	-	-	171 584
	78 057 621	12 440 419	-	111 544	90 396 456	6 671 089	2 512 516	61 993	9 121 613	81 274 883	-

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	155 349	5 057
	Cost	200 798	7 737
	Accumulated Amortisation	(45 449)	(2 680)
	Acquisitions	5 039	193 061
	Disposals	(733)	-
	Amortisation	(67 203)	(42 770)
	Net Carrying amount at 30 June	92 452	155 349
	Cost	197 355	200 798
	Accumulated Amortisation	(104 903)	(45 449)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2012 R	2011 R
VIP Salary System	1	5 666	10 762
Capman Personnel System	1	81 347	139 640
MS Office	1 - 5	5 438	4 746

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

13 CAPITALISED RESTORATION COST

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4 issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following capitalised restoration cost:

Net Carrying amount at 1 July	1 617 423	1 793 056
Cost		
Balance previously reported	3 155 514	3 155 514
First time recognition of Capitalised Restoration Cost - At Cost- Note 33.01		3 155 514
Accumulated Depreciation		
Balance previously reported	(1 498 693)	(1 362 448)
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 33.01		(1 362 448)
Accumulated Impairments		
Depreciation for the year		
Balance previously reported	(39 398)	-
Recognition of Depreciation for 2010/2011 - Note 33.01		-
Impairment		
Net Carrying amount at 30 June	1 448 954	1 617 423
Cost		
Accumulated Depreciation	3 155 514	3 155 514
Accumulated Impairments	(1 618 659)	(1 498 693)
	(87 900)	(39 398)

14 LONG TERM RECEIVABLES

Officials' Housing Loans - At amortised cost	86 957	95 659
Less: Unamortised Discount on Loans	(20 918)	(24 997)
Balance 1 July	(24 997)	(29 287)
Adjustment for the period	4 079	4 290
	66 048	70 661
Less: Current portion transferred to current receivables	(9 045)	(8 692)
Officials' Housing Loans - At amortised cost	(9 045)	(8 692)
Less: Provision for Impairment of Long Term Receivables	57 003	61 969
Total Long Term Receivables	57 003	61 969

STAFF HOUSING LOANS

STAFF HOUSING LOANS
Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Water	206 328	1 459 243
Electricity	825 517	1 462 879
Refuse	621 955	1 035 001
Sewerage	270 511	1 180 684
Payments received in advance	169 655	172 822
Total Service Receivables	2 093 956	5 310 629
Less: Provision for Impairment	<u>(1 145 851)</u>	<u>(4 114 534)</u>
Net Service Receivables	948 114	1 196 095
<i>Other Receivables</i>		
Sundry Receivables	867 261	1 019 475
Rentals	248 365	310 229
VAT	522 942	686 264
Payments received in advance	655	991
Total Other Receivables	1 639 423	2 016 958
Less: Provision for Impairment	<u>(248 365)</u>	<u>(320 760)</u>
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	<u>(356 529)</u>	<u>(540 229)</u>
Net Other Receivables	1 034 529	1 155 969
Total Net Receivables from Exchange Transactions	1 982 644	2 352 064
Ageing of Receivables from Exchange Transactions		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	770 179	644 752
31 - 60 Days	12 881	85 185
61 - 90 Days	12 454	25 747
+ 90 Days	30 003	707 195
Total	825 517	1 462 879
<i>(Water): Ageing</i>		
Current (0 - 30 days)	182 548	226 259
31 - 60 Days	13 942	127 495
61 - 90 Days	21	99 106
+ 90 Days	9 817	1 006 383
Total	206 328	1 459 243
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	190 496	176 096
31 - 60 Days	228 277	98 471
61 - 90 Days	181 371	69 964
+ 90 Days	21 811	680 470
Total	621 955	1 035 001
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	139 875	148 989
31 - 60 Days	87 097	91 175
61 - 90 Days	19 184	66 922
+ 90 Days	24 355	853 598
Total	270 511	1 180 684
<i>(Sundry Receivables): Ageing</i>		
Current (0 - 30 days)	867 261	1 008 935
31 - 60 Days	-	-
61 - 90 Days	-	9 540
+ 90 Days	-	-
Total	867 261	1 019 475
<i>(VAT): Ageing</i>		
Current (0 - 30 days)	166 413	146 035
31 - 60 Days	-	-
61 - 90 Days	356 529	540 229
+ 90 Days	-	-
Total	522 942	686 264
<i>(Rentals): Ageing</i>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	248 365	310 229
+ 90 Days	-	-
Total	248 365	310 229

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

<i>Service Receivables</i>		2012 R	2011 R
Rates	1 621 785	2 552 080	
Other Receivables	1 350	2 050	
Accrued Fines	1 350	2 050	
Total Service Receivables	1 623 135	2 554 130	
Less: Provision for Impairment	(1 621 785)	(2 537 619)	
Net Service Receivables	1 350	16 511	

Total Net Receivables from Non-Exchange Transactions	1 350	16 511
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Ageing of Receivables from Non-Exchange Transactions

<i>(Rates): Ageing</i>			
Current (0 - 30 days)	-	14 461	
31 - 60 Days	-	-	
61 - 90 Days	-	-	
+ 90 Days	1 621 785	2 537 619	
Total	1 621 785	2 552 080	

(Other Receivables): Ageing

Current (0 - 30 days)	1 350	2 050	
31 - 60 Days	-	-	
61 - 90 Days	-	-	
+ 90 Days	-	-	
Total	1 350	2 050	

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors	National and Provincial Government R's	Total
	R's	R's	R's	R's
2012				
Total Receivables	5 202 405	29 365	124 753	5 356 524
Less: Provision for Impairment	(3 016 001)	-	-	(3 016 001)
Less: Provision for Impairment (VAT)	(356 529)	-	-	(356 529)
Total Recoverable debtors by customer classification	1 829 875	29 365	124 753	1 983 994

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors	National and Provincial Government R's	Total
	R's	R's	R's	R's
2011				
Total Receivables	9 926 405	25 610	75 737	10 027 752
Less: Provision for Impairment	(6 972 913)	-	-	(6 972 913)
Less: Provision for Impairment (VAT)	(540 229)	-	-	(540 229)
Total Recoverable debtors by customer classification	2 413 263	25 610	75 737	2 514 610

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total
	R's	R's	R's
Total	1 394 216	1 621 785	3 016 001
2011			
	Exchange Transactions R's	Non-Exchange Transactions R's	Total
	R's	R's	R's
Total	4 435 294	2 537 619	6 972 913

Debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.
The fair value receivables approximates their carrying amounts.

<u>Reconciliation of the Total doubtful debt provision</u>	2012 R	2011 R
Balance at beginning of the year	7 513 142	6 805 425
Contributions to provision	-	167 488
VAT contribution to Impairment provision	(183 700)	540 229
Impairment written off against provision	(3 956 912)	-
Balance at end of year	3 372 530	7 513 142

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

17

OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July
Operating Lease Asset for the current year
Balance on 30 June

10 634	9 036
3 562	1 596
<u>14 216</u>	<u>10 634</u>

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

The municipality is leasing a piece of land to Vodacom for a period of 119 months with escalations of 10% per year.

2012	2011
R	R

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

280 246	184 706
651 188	46 841
159 915	13 455
<u>1 091 350</u>	<u>245 001</u>

Total Operating Lease Arrangements

This lease income was determined from a contract that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The lease is in respect of land being leased by MTN until 2017.

The lease is in respect of land being leased by Vodacom until 2022.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

2012	2011
R	R

CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits
Primary Bank Account (Cash book)

Total Cash and Cash Equivalents - Assets

21 376 614	21 134 211
225 652	13 151
<u>21 602 265</u>	<u>21 147 362</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R2 068 026 are held to fund the Unspent Conditional Grants (2010: R3 509 447).

Kareeburg municipality do not have a bank overdraft facility.

2012	2011
R	R

The municipality has the following bank accounts:

Current Accounts

Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):

225 652	13 151
<u>225 652</u>	<u>13 151</u>

Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):
Cash book balance at beginning of year
Cash book balance at end of year

13 151	283 025
225 652	13 151
<u>1 027 539</u>	<u>682 505</u>
<u>613 214</u>	<u>1 027 539</u>

Bank statement balance at beginning of year
Bank statement balance at end of year

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2012 R	2011 R
<u>Call Investment Deposits</u>				Bank Certificates (excl. accruals)	
Call investment deposits consist out of the following accounts:					
Account no.	Place of investment	Name of fund			
20-5772-3831	ABSA	Capital Replacement Reserve	11 347 812	11 347 812	11 347 812
92-0446-2639	ABSA	Housing Fund	120 815	120 895	119 570
90-7057-3646	ABSA	Job creation - De Buil	34 983	35 035	34 100
90-7553-5667	ABSA	Land development	15 201	15 225	14 893
90-7553-5714	ABSA	Land development	13 886	13 907	13 604
90-7091-9951	ABSA	Land development	27 227	27 227	27 200
08-870-543-9	STANDARD BANK	Civil Defence	17 430	17 448	16 972
08-870-542-0	STANDARD BANK	Job Creation	30		11 863
90-9630-8465	ABSA	Self Build Project			
08-871-077-7	STANDARD BANK	Geotechnical Investigation			6 186
92-0446-2281	ABSA	TV Fund			10 136
91-1548-4469	ABSA	CMIP Kwaggakolk(VAT)	140 288	140 289	140 148
08-870-5536	STANDARD BANK	Sanitation Interest/VAT	1 477 022	1 477 022	2 930 801
91-1908-0601	ABSA	Electricity	32 751	32 752	32 719
91-6152-7996	ABSA	Water Services Plan	3 064	3 064	3 062
91-4181-7074	ABSA	CMIP-Saalpoort project 301	3 363	3 363	3 361
91-1908-0893	ABSA	EPWP - Paving/ Cleaning	22 140	22 141	22 119
91-0714-4855	ABSA	Lotto Carnarvon	1 702	1 702	1 701
91-1003-7312	ABSA	Lotto Vostburg	29 986	29 988	29 958
91-3252-1989	ABSA	Transfer Fees Sub-Economic Housing	119 943	120 184	116 394
81-3945-6365	ABSA	VB Cleaning Project	23 936	23 940	23 916
91-5297-7293	ABSA	VAT - retention	11 109	11 109	11 098
92-6345-3922	ABSA	Kreeberg Festival			59 413
92-1221-8064	ABSA	Youth Development	93 632	93 632	
92-1221-8064	ABSA	Leave Fund	1 956 626	1 956 626	964 724
92-1221-8064	ABSA	Retension	299 232	299 232	658 736
92-1221-8064	ABSA	Provision for Employee benefits	3 000 000	3 000 000	2 000 000
92-1221-8064	ABSA	Reserves	352 116	352 116	352 116
92-1221-8064	ABSA	General Account	2 231 913	2 231 906	2 181 808
			21 375 208	21 376 514	21 134 211

19 PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property

State - National / Provincial Services

Less: Reductions

Less: Rebates

Total Assessment Rates

2012
R

2011
R

6 041 668	6 975 411
5 361 981	6 294 972
679 687	680 439
(416 333)	(417 005)
(1 746 989)	(2 649 940)
3 878 347	3 908 466

Valuations - 30 JUNE 2012:

Rateable Land and Buildings

Residential & Commercial Property

State - National / Provincial Services

Total Assessment Rates

1 543 556 950	1 545 224 850
1 512 229 550	1 517 227 450
31 327 400	27 997 460

1 543 556 950	1 545 224 850
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Valuations - 30 JUNE 2012:

Valuation

Residential	177 638 900
State	20 802 800
State: Agriculture	10 524 600
Agriculture	1 265 478 750
Municipal	21 017 400
Municipal: Agriculture	13 153 700
Schietfontein	165 000
Churches	10 267 600
Infrastructure	817 200
Public Benefit Organisations	2 517 200
Commonage	160 000
Commonage (rentals)	9 747 800
Commonage (Boschmansberg)	7 752 000
Agriculture (Bubble levy Carnarvon)	2 750 000
Sport clubs	644 000
Total Property Valuations	1 543 556 950

Assessment Rates are levied on the values of immovable properties. A supplementary roll was performed during 2011/12. The tariffs applicable are proclaimed by PK 37 dated 15 May 2011.

Rates are levied annually and are payable after due dates. Interest is levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
20 GOVERNMENT GRANTS AND SUBSIDIES			
Unconditional Grants			
Equitable Share - Refer to Note 20.01		10 466 000	9 050 480
Conditional Grants			
Job Creation		10 466 000	9 050 480
Self Build Project		10 272 868	20 541 800
Water Assistance		11 948	-
TV Fund		639 879	129 746
CMIP Kwaggakolk (VAT)		10 146	73 303
Municipal Systems Improvement Grant		-	51 737
Sanitation - sewerage		1 116 915	1 450 447
Electricity		1 453 779	2 289 225
Library Development Projects		-	27 889
Vanwykswiel Housing VAT		501 000	527 817
Vosburg Housing VAT		-	87 311
Municipal Finance Management Grant		1 353 221	8 064
Vanwykswiel Drought Relief (R 2.1mil)		-	1 160 011
Municipal Infrastructure Grant		6 931 076	30 856
Housing B1 homes		2 381 969	12 523
Kareeburg Festival		59 440	473 882
Department of Economic Affairs - Fly-in		100 000	2 541 551
Geotechnical Investigation		6 371	140 587
Premier's Funds - Job Creation		325 000	100 000
Expanded Public Works Program		3 382 125	325 000
Department of Water Affairs		-	61 673
Open Africa		-	89 120
Total Government Grants and Subsidies		28 738 868	29 592 280
Government Grants and Subsidies - Capital		10 088 203	12 592 430
Government Grants and Subsidies - Operating		18 650 665	16 999 850
		28 738 868	29 592 280

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	10 466 000	9 050 480
Executive & Council	15 736 202	18 836 813
Budget & Treasury	1 557 958	726 279
Waste Water Management	326 236	326 236
Water	326 236	326 236
Electricity	326 236	326 236
20 730 868	29 592 280	

20.01 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 10kl free water and 50kwh electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R225 per month to R506 per month.(2011: R212 per month to R460 per month)

Equitable share

Opening balance	10 466 000	9 050 480
Grants received	(10 466 000)	(9 050 480)
Conditions met	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

20.02 Municipal Infrastructure Grant (MIG)

Opening balance	-	5 736 528
Grants received	7 892 000	6 562 000
Conditions met	(960 924)	(3 325 954)
Conditions met - Capital	(6 931 076)	(8 972 575)
Conditions still to be met	-	-

The grant was used to upgrade infrastructure in the Kareeburg areas.

20.03 Local Government Financial Management Grant (FMG)

Opening balance	-	66 107
Grants received	1 450 000	1 200 000
Conditions met	(1 420 789)	(1 250 882)
Conditions met - Capital	(29 211)	(15 245)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
20.04	Municipal Systems Improvement Grant		
Opening balance			419 838
Grants received		1 200 000	1 200 000
Conditions met		(1 193 672)	(1 260 726)
Conditions met - Capital		(6 328)	(359 112)
Conditions still to be met			
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.			
20.05	Library Development Projects		
Opening balance			185 643
Interest received			2 174
Grants received		501 000	340 000
Conditions met		(339 272)	(426 666)
Conditions met - Capital		(161 728)	(101 151)
Conditions still to be met			
The grant was used for the development of libraries in the Kreeberg area.			
20.06	Youth Development		
Opening balance			
Grants received		93 632	
Conditions still to be met		93 632	
The grant will be used for youth development related issues in the Kreeberg area.			
20.07	Kreeberg Festival	R	R
Opening balance		59 413	
Interest received		27	
Grants received			200 000
Conditions met		(59 440)	(140 587)
Conditions still to be met			59 413
The grant was used for the Kreeberg Festival.			
20.08	Housing 81 homes		
Opening balance			
Grants received		2 381 969	2 541 551
Conditions met		(2 381 969)	(1 441 000)
Conditions met - Capital			(1 100 551)
Conditions still to be met			
The grant was used for a housing project in the Kreeberg area.			
20.09	Department of Economic Affairs - Fly-In		
Opening balance			
Grants received		100 000	100 000
Conditions met		(100 000)	(100 000)
Conditions still to be met			
The grant was used for a fly show in the Kreeberg area.			
20.10	Premier's Funds - Job Creation		
Opening balance			
Grants received		325 000	325 000
Conditions met		(325 000)	(325 000)
Conditions still to be met			
The grant was used for job creation in the Kreeberg area.			
20.11	Water Assistance		
Opening balance			72 767
Interest received			536
Grants received		639 879	
Conditions met		(639 879)	
Conditions still to be met			(73 303)
The grant was used for water supply in the Kreeberg area. (Vanwyksvlei)			
20.12	Expanded Public Works Program		
Opening balance			
Grants received		3 755 965	
Conditions met		(1 085 680)	
Conditions met - Capital		(2 670 285)	
Conditions still to be met			
The grant was used for infrastructure development in the Kreeberg area.			

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
20.13 Job Creation De Bult		
Opening balance	34 100	33 109
Interest received	935	991
Conditions still to be met		
The grant will be used for job creation in the Kareeberg area. (Camarvon)		
	<u>35 035</u>	<u>34 100</u>
20.14 Land Development		
Opening balance	55 697	54 916
Interest received	662	781
Conditions still to be met		
The grant will be used for a land development plan in the Kareeberg area.		
	<u>56 359</u>	<u>55 697</u>
20.15 Civil Defence		
Opening balance	16 972	16 481
Interest received	476	491
Conditions still to be met		
The grant will be used for civil defence in the Kareeberg area.		
	<u>17 448</u>	<u>16 972</u>
20.16 Job Creation		
Opening balance	11 663	11 325
Interest received	285	338
Conditions met		
Conditions still to be met		
The grant was used for job creation in the Kareeberg area.		
	<u>(11 948)</u>	<u>11 663</u>
20.17 Geotechnical Investigation	R	R
Opening balance	6 186	5 931
Interest received	186	255
Conditions met		
Conditions still to be met		
The grant was used for a geotechnical investigation in the Kareeberg area. (Vanwyksvlei)		
	<u>(6 371)</u>	<u>5 186</u>
20.18 TV Fund		
Opening balance	10 138	10 125
Interest received	8	12
Conditions met		
Conditions still to be met		
The grant was used for a TV Transmitter in the Kareeberg area. (Vanwyksvlei)		
	<u>(10 145)</u>	<u>10 138</u>
20.19 CMIP Kwaggakolk (VAT)		
Opening balance	140 148	191 142
Interest received	141	743
Conditions met - Capital		
Conditions still to be met		
The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
	<u>140 289</u>	<u>140 148</u>
20.20 Sanitation - sewerage		
Opening balance	2 930 801	5 220 026
Conditions met	(1 164 203)	(777 383)
Conditions met - Capital	(289 576)	(1 511 632)
Conditions still to be met		
The grant was used for a sanitation development in the Kareeberg area.		
	<u>1 477 022</u>	<u>2 930 801</u>
20.21 Electricity		
Opening balance	32 719	60 454
Interest received	33	155
Conditions met		
Conditions met - Capital		
Conditions still to be met		
The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
	<u>32 752</u>	<u>32 719</u>
20.22 Water Service Plan		
Opening balance	3 052	3 051
Interest received	2	2
Conditions still to be met		
The grant will be used for a water service plan in the Kareeberg area.		
	<u>3 054</u>	<u>3 052</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
20.23	CMIP - Saalpoort project 301		
	Opening balance	3 361	3 359
	Interest received	2	2
	Conditions still to be met	<u>3 363</u>	<u>3 361</u>
	The grant will be used for a bore hole water project in the Kreeberg area. (Camarvon)		
20.24	Paving Projects		
	Opening balance	22 119	22 092
	Interest received	22	26
	Conditions still to be met	<u>22 141</u>	<u>22 119</u>
	The grant will be used for a extended public works program in the Kreeberg area.		
20.25	Lotto Camarvon		
	Opening balance	1 701	1 700
	Interest received	1	1
	Conditions still to be met	<u>1 702</u>	<u>1 701</u>
	The grant will be used for Lotto projects in the Kreeberg area. (Erection of sport facilities)		
20.26	Lotto Vosburg		
	Opening balance	29 958	29 888
	Interest received	30	71
	Conditions still to be met	<u>29 988</u>	<u>29 958</u>
	The grant will be used for Lotto projects in the Kreeberg area. (Erection of sport facilities)		
20.27	Transfer Fees Sub-Economic		
	Opening balance	116 394	112 434
	Interest received	3 790	3 980
	Conditions still to be met	<u>120 184</u>	<u>116 394</u>
	The grant will be used for transfer fees of sub-economic houses in the Kreeberg area.		
20.28	Cleaning Project Vosburg		
	Opening balance	23 916	23 887
	Interest received	24	29
	Conditions still to be met	<u>23 940</u>	<u>23 916</u>
	The grant will be used for a cleaning project in the Kreeberg area.		
20.29	VAT - Retention		
	Opening balance	11 098	11 085
	Interest received	11	13
	Conditions still to be met	<u>11 109</u>	<u>11 098</u>
	The grant will be used for VAT money in the Kreeberg area.		
20.30	Self Build Project		
	Opening balance	-	129 274
	Interest received	-	472
	Conditions met	<u>-</u>	<u>(129 746)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for housing projects in the Kreeberg area. (Vanwyk'svlei)		
20.31	Vanwyk'svlei Housing VAT		
	Opening balance	-	86 993
	Interest received	-	318
	Conditions met	<u>-</u>	<u>(87 311)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for housing projects in the Kreeberg area. (Vanwyk'svlei)		
20.32	Vosburg Housing VAT		
	Opening balance	-	8 061
	Interest received	-	3
	Conditions met	<u>-</u>	<u>(8 064)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for housing projects in the Kreeberg area. (Vosburg)		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
20.33	Vanwyksvlei Drought Relief Fund		
Opening balance		-	30 786
Interest received		-	60
Conditions met		-	(30 856)
Conditions still to be met		-	-
The grant was used for drought relief in the Kreeberg area. (Vanwyksvlei)		-	-
20.34	Carnarvon Waste Management		
Opening balance		-	12 515
Interest received		-	8
Conditions met		-	(12 523)
Conditions still to be met		-	-
The grant was used for "Cleanest Town Competition" in the Kreeberg area. (Carnarvon)		-	-
20.35	Vanwyksvlei Drought Relief (R 2.1mill)		
Opening balance		-	537 636
Conditions met		-	(80 767)
Conditions met - Capital		-	(456 868)
Conditions still to be met		-	-
The grant was used for drought relief in the Kreeberg area. (Vanwyksvlei)		-	-
20.36	Housing B.Agterdam		
Opening balance		-	61 673
Grants received		-	(61 673)
Conditions met		-	-
Conditions still to be met		-	-
The grant was used for individual subsidy in the Kreeberg area.		-	-
20.37	Department of Water Affairs		
Opening balance		-	89 120
Grants received		-	(89 120)
Conditions met		-	-
Conditions still to be met		-	-
The grant was used for rehabilitation of boreholes in the Kreeberg area. (Vanwyksvlei)		-	-
20.38	Open Africa		
Opening balance		-	57 455
Grants received		-	(57 455)
Conditions met		-	-
Conditions still to be met		-	-
The grant was used for developing a hiking trail in the Kreeberg area.		-	-
20.39	Total Grants		
Opening balance		3 509 447	13 097 173
Interest received		6 632	11 440
Grants received		28 805 445	21 727 279
Conditions met		(20 165 293)	(18 734 016)
Conditions met - Capital		(10 088 203)	(12 592 430)
Conditions still to be met/(Grant expenditure to be recovered)		<u>2 068 028</u>	<u>3 509 447</u>
		2012 R	2011 R
21	SERVICE CHARGES		
Electricity		6 631 019	5 514 194
Service Charges		<u>6 631 019</u>	<u>5 514 194</u>
Water		3 386 634	3 100 112
Service Charges		<u>3 386 634</u>	<u>3 100 112</u>
Refuse removal		2 780 238	2 584 520
Service Charges		<u>2 780 238</u>	<u>2 584 520</u>
Sewerage and Sanitation Charges		2 058 501	1 924 834
Service Charges		<u>2 058 501</u>	<u>1 924 834</u>
Total Service Charges		<u>14 856 392</u>	<u>13 123 660</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
22	OTHER REVENUE		
Application Specific Registrations		2 145	1 700
Sale of Sand		160	65
Building Fees		570	540
Photocopies		2 430	4 658
Grave Fees		7 465	5 535
Encroachment		917	917
Cement block Sales		2 250	680
Pond Fees		3 510	780
Refuse Bags Sold		1 176	771
Connection Fees		310	460
Surplus Cash		6	-
Gain due to additions on Biological assets		26 450	27 100
Valuation Certificates		1 440	995
Grant VAT Income		1 514 628	1 734 165
Retention forfeited		-	93 625
Electricity caravan park		880	1 310
Total Other Income		1 564 367	1 873 180
23	FAIR VALUE ADJUSTMENTS		
Unamortised Discount - interest - LT Receivables		4 079	4 290
		4 079	4 290
24	EMPLOYEE RELATED COSTS		
Other Allowances		900	900
Salaries & Wages		8 570 226	8 280 372
Uniform Allowance		26 186	21 054
Leave Reserve Fund		251 588	185 393
Personnel Contributions		1 470 786	1 401 891
Skill Development Levy		115 941	98 161
Bargaining Council		4 018	3 493
Pension Gratification		444	407
UIF		66 513	73 087
Performance Bonuses		208 050	160 818
Contribution to Employee Benefits - Long Service Awards - Note 3		97 582	134 998
Contribution to Employee Benefits - Post Retirement Medical - Note 3		219 684	161 138
Less: Employee Costs allocated elsewhere		11 033 999	10 521 713
Total Employee Related Costs		11 033 999	10 521 713
KEY MANAGEMENT PERSONNEL			
Municipal Manager is appointed on a 5-year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.			
REMUNERATION OF KEY MANAGEMENT PERSONNEL			
<i>Remuneration of the Municipal Manager: Mr Z.E. Dingilo (Acting since 1 June 2012)</i>			
Salary, Leave and Performance Bonus		937 657	636 004
Travel Allowance		98 000	96 000
UIF		1 497	1 497
Cell phone (VAT included)		24 000	20 500
Total		1 059 155	754 001
<i>Remuneration of the Chief Finance Officer: Mr. P.B. Rossouw</i>			
Salary and Bonus, Performance Bonus		451 213	369 730
Travel Allowance		120 180	113 292
Pension		67 722	50 570
Medical		35 431	31 334
UIF		1 497	1 497
Bargaining Council		49	49
Cell phone (VAT included)		18 000	14 500
Total		694 093	580 972
<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schaikwyk</i>			
Salary and Bonus, Performance Bonus		545 111	464 484
Travel Allowance		120 180	113 292
Pension		82 892	61 687
Medical		39 367	39 618
UIF		1 497	1 497
Bargaining Council		49	49
Cell phone (VAT included)		24 000	20 500
Total		813 097	701 318
<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>			
Salary and Bonus, Performance Bonus		467 730	353 913
Travel Allowance		120 180	113 292
Pension		81 690	50 570
Medical		35 431	31 334
UIF		1 497	1 497
Bargaining Council		49	49
Cell phone (VAT included)		18 000	14 500
Total		704 578	565 158

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
25	REMUNERATION OF COUNCILLORS		
	Mayor	572 948	529 530
	Councillors	1 031 304	987 035
	Councillors' Cell phones	83 407	81 168
	Total Councillors' Remuneration	<u>1 687 659</u>	<u>1 597 732</u>
	<i>In-kind Benefits</i>		
	The Mayor is fulltime. He is provided with an office at the cost of the Council.		
26	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 15	-	(733 638)
	Receivables from non-exchange transactions - Note 16	-	901 126
	Total Contribution to Impairment Provision	<u>-</u>	<u>167 488</u>
27	IMPAIRMENTS		
	Property Plant & Equipment	-	19 801
		<u>-</u>	<u>19 801</u>
28	FINANCE CHARGES		
	Post Retirement Charges	517 691	434 488
	Rehabilitation Cost - Refuse Waste Disposal Sites	309 054	299 718
	Total finance charges	<u>826 755</u>	<u>734 206</u>
29	BULK PURCHASES		
	Electricity	6 283 489	4 806 898
	Total Bulk Purchases	<u>6 283 489</u>	<u>4 806 898</u>
30	GRANTS AND SUBSIDIES		
	Indigent Subsidies	7 436 334	6 868 136
	Total Grants and Subsidies	<u>7 436 334</u>	<u>6 868 136</u>
31	OPERATING GRANT EXPENDITURE		
	Operating grant expenditure per vote	8 184 665	7 949 370
	Executive & Council	<u>8 184 665</u>	<u>7 949 370</u>
	General Expenses	<u>0 104 665</u>	<u>0 104 665</u>
32	GENERAL EXPENSES		
	Audit Costs	1 012 125	901 793
	Fuel & Oil	545 707	459 841
	Subsistence and Travelling	490 679	523 085
	Telephone & Postage	331 210	318 173
	Bank charges	112 244	85 913
	Electricity Eskom	201 535	145 525
	Street Lighting	213 627	-
	Animal Feeds	112 765	144 390
	Advertisement, printing & stationary	136 182	93 600
	Refuse bag purchases	96 432	345 374
	Insurance	206 906	209 421
	Other General Expenses	294 618	247 100
	Housing Fund	200 000	100 000
	Membership for associations	59 364	93 764
	Chemicals	50 584	64 541
	Special programmes	<u>4 063 978</u>	<u>3 732 521</u>
	General Expenses	<u>4 063 978</u>	<u>3 732 521</u>

Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as vehicle licenses, cleaning agents and membership fees.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

33	CORRECTION OF ERROR IN TERMS OF GRAP 3		
33.01	Capitalised Restoration Cost	2011	R
	Capitalised Restoration Cost recorded as they are required by GRAP 17.		
	Balance previously reported		
	First time recognition of Capitalised Restoration Cost - At Cost - Note 33.02	3 155 514	
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 33.03	(1 362 448)	
	Recognition of depreciation for 2010/2011 - Note 33.04	(136 245)	
	Recognition of impairments for 2010/2011 - Note 33.04	(39 398)	
	Total	1 617 423	
33.02	Non-current Provisions		
	Non-current Provisions recorded as they are required by GRAP 19.		
	Balance previously reported		
	First time recognition of Landfill Site Provision - Recognised Assets - Note 33.01	3 155 514	
	Recognition of Interest Cost on Non-current Provisions up to 30 June 2010 - Note 33.03	2 726 048	
	Recognition of Interest Cost on Non-current Provisions for 2010/2011 - Note 33.04	299 718	
	Total	6 181 200	
33.03	Accumulated Surplus/(Deficit)		
	Balance previously reported	91 771 153	
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 33.01	(1 362 448)	
	Recognition of Interest Cost on Non-current Provisions up to 30 June 2010 - Note 33.02	(2 726 048)	
	Total	87 682 656	
33.04	Statement of Financial Performance		
	Balance previously reported	10 327 741	
	Recognition of Depreciation for 2010/2011 - Note 33.01	(136 245)	
	Recognition of impairments for 2010/2011 - Note 33.01	(39 398)	
	Recognition of Interest Cost on Non-current Provisions for 2010/2011 - Note 33.02	(299 718)	
	Total	9 882 380	
34	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2012	R
	Surplus for the year	8 091 711	
	Adjustments for:		
	Depreciation	2 709 442	
	Amortisation of Intangible Assets	67 203	
	Capitalised Restoration Cost Impairment	48 502	
	(Gain)/Loss on disposal of property, plant and equipment	81 101	
	Impairments		15 944
	Contribution from/to employee benefits - non-current	835 037	
	Contribution from/to employee benefits - non-current - expenditure incurred	(239 063)	
	Contribution from/to employee benefits - non-current - actuarial losses	79 983	
	Contribution from/to employee benefits - non-current - actuarial gains	(339 167)	
	Contribution to employee benefits - current	479 201	
	Contribution to employee benefits - current - expenditure incurred	(360 308)	
	Contribution to provisions - non-current - Rehabilitation of Landfill-sites	309 064	
	Contribution to provisions - bad debt		299 718
	Contribution to provisions - VAT Impairment	(183 700)	
	Unauthorised discount - Interest - Revenue	(4 079)	
	Contributed PPE	(121 297)	
	Bad debt written off	(3 956 912)	
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 441 419)	
	Operating lease income accrued	(3 582)	
	Operating Surplus/(Deficit) before changes in working capital	6 051 717	
	Changes in working capital	4 500 387	
		(24 807)	
		3 594 199	
		930 995	
	Cash generated/(absorbed) by operations	10 552 104	
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 18	21 376 614	
	Bank - Note 18	225 652	
	Total cash and cash equivalents	21 602 265	
36	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 35	21 602 265	
	Less:		
	Unspent Committed Conditional Grants - Note 8	21 602 265	
	Cash Portion of Housing Development Fund - Note 2	2 188 923	
	Net cash resources available for internal distribution	2 068 026	
	Allocated to:	120 695	
	Capital Replacement Reserve	(11 347 812)	
	Retention	(299 232)	
	Provision for Employee benefits	(3 000 000)	
	Reserves	(352 116)	
	Staff Leave, Performance Management System, Long Service	(1 956 626)	
	Resources available for working capital requirements	19 413 343	
		119 570	
		17 518 346	
		(954 724)	
		2 457 557	
		2 194 959	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37 BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
37.1 Operational				
Revenue by source				
Property Rates	3 875 347	3 993 222	(114 875)	-3%
Government Grants and Subsidies - Capital	10 088 203	7 892 000	2 196 203	28%
Government Grants and Subsidies - Operating	18 650 665	13 617 000	5 033 665	37%
Fines	22 806	12 230	10 576	86%
Property Rates - Penalties & Collection Charges	199 288	190 000	9 288	5%
Service Charges	14 856 392	14 523 573	332 819	2%
Rental of Facilities and Equipment	525 966	409 730	116 236	28%
Interest Earned - external investments	925 184	1 297 000	(371 816)	-29%
Interest Earned - outstanding debtors	3 677	3 300	377	11%
Licences and Permits	11 202	14 200	(2 998)	-21%
Agency Services	115 540	80 000	39 540	49%
Contributed PPE	121 297	-	121 297	100%
Other Revenue	1 564 367	3 122 493	(1 558 126)	-50%
Unamortised discount - Interest	4 079	17 000	(12 921)	-75%
Actuarial Gains	339 167	-	339 167	100%
	51 310 179	45 171 748	6 138 431	14%
Expenditure by nature				
Employee Related Costs	(11 033 999)	(12 049 886)	1 015 887	-8%
Remuneration of Councillors	(1 687 659)	(1 801 038)	113 379	-6%
Debt Impairment	-	(225 000)	225 000	-100%
Collection Cost	-	(35 000)	35 000	-100%
Depreciation and Amortisation	(2 776 645)	(3 357 000)	580 355	-17%
Capitalised Restoration Cost Impairment	(48 502)	-	(48 502)	100%
Impairments	-	-	-	0%
Repairs and Maintenance	(715 358)	(875 445)	260 087	-27%
Actuarial losses	(79 983)	-	(79 983)	100%
Finance Charges	(826 755)	-	(826 755)	100%
Bulk Purchases	(6 283 489)	(6 340 877)	57 388	-1%
Grants and Subsidies	(7 436 334)	(7 259 043)	(177 291)	2%
Operating Grant Expenditure	(8 184 665)	(3 151 000)	(5 033 665)	160%
General Expenses	(4 063 978)	(5 009 459)	945 481	-19%
	(43 137 367)	(40 203 748)	(2 933 619)	7%
Other Gains/Losses				
Loss on Disposal of PPE	(81 101)	(2 000)	(79 101)	3955%
	(81 101)	(2 000)	(79 101)	3955%
Not Surplus for the year	8 081 711	4 966 000	3 125 711	63%
Details of material variances				
Actuarial losses - Adjusted Actuarial Report				
Finance Charges - Adjusted Actuarial Report and interest of land fill sites.				
Operating Grant expenditure - Grants received after the annual adjustment budget was approved.				
Loss on Disposal of PPE - Transfer of land for RDP Housing				
37.2 Expenditure by Vote				
Cemetery	(140 381)	(147 023)	6 642	-5%
Library	(788 263)	(818 983)	32 720	-4%
Museum	(119 892)	(133 724)	13 832	-10%
Corporate Services	(1 391 790)	(1 538 776)	146 986	-10%
Electricity Administration	(134 451)	(172 917)	38 466	-22%
Electricity Generation	(6 652 258)	(6 733 799)	81 541	-1%
Electricity Distribution	(399 464)	(386 238)	(13 226)	3%
General Expenditure of Council	(19 814 629)	(15 700 964)	(4 113 665)	26%
Official Housing	(1 879)	(3 892)	2 013	-52%
Commonage	(75 055)	(82 732)	7 677	-9%
Municipal Buildings	(220 584)	(250 387)	29 803	-12%
Budget & Treasury	(5 481 611)	(4 817 955)	(663 656)	14%
Health Service	(955)	-	(955)	100%
Nursing Service	(35 729)	(57 349)	21 620	-38%
Airport	(46 440)	(58 140)	11 700	-20%
Abattoir	(24)	(547)	523	-96%
Fire Department	(15 533)	(16 760)	1 227	-7%
Civil Protection	(28 502)	(36 215)	7 713	-21%
Pound	(39 858)	(45 593)	5 735	-13%
Public Works	(1 616 521)	(2 171 878)	555 357	-26%
Streets & Pavements	(928 886)	(901 228)	(27 658)	3%
Licensing & Traffic	(162 787)	(247 161)	84 364	-34%
Nature Reserve	(205 479)	(227 399)	21 920	-10%
Parks & Open areas	(355 947)	(342 512)	(13 435)	4%
Swimming Pool	(103 491)	(123 536)	20 045	-16%
Caravan Park	(13 216)	(26 284)	13 068	-50%
Refuse	(2 636 815)	(2 767 080)	130 265	-5%
Sewerage & Cleansing	(2 507 448)	(2 968 838)	461 392	-16%
Water Distribution	(369 410)	(364 498)	(4 911)	1%
Water Provision	(896 814)	(1 011 997)	115 183	-11%
Less Inter-Departmental Charges	1 963 652	1 948 658	14 994	1%
	(43 210 469)	(40 205 748)	(3 012 721)	7%
Details of material variances				
General Expenditure of Council - Grants received after the annual adjustment budget was approved.				
Budget & Treasury - Adjusted Actuarial Report				

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 % (%)
37 BUDGET COMPARISONS (CONTINUE)				
Expenditure by GFS				
Executive & Council	(19 505 529)	(15 391 864)	(4 113 665)	27%
Budget & Treasury	(5 774 724)	(5 157 536)	(617 188)	12%
Corporate Services	(1 376 393)	(1 523 379)	146 986	-10%
Health	(21 587)	(39 479)	17 892	-45%
Community & Social Services	(965 271)	(1 019 219)	53 948	-5%
Public Safety	(80 777)	(95 451)	14 674	-15%
Sport & Recreation	(617 660)	(658 596)	38 936	-6%
Waste Management	(2 474 582)	(2 604 847)	130 265	-5%
Waste Water Management	(2 288 127)	(2 757 773)	469 646	-17%
Road Transport	(2 341 787)	(2 968 442)	626 645	-21%
Water	(1 018 738)	(1 131 086)	112 348	-10%
Electricity	(6 753 284)	(6 860 076)	106 792	-2%
	(43 218 469)	(40 205 748)	(3 012 721)	7%

Details of material variances

Executive & Council - Grants received after the annual adjustment budget was approved.
 Budget & Treasury - Adjusted Actuarial Report

37.3 Capital expenditure by vote

Budget & Treasury Office	(187 385)	-	(187 385)	100%
Library	(152 794)	-	(152 794)	100%
Electricity Administration	(384)	-	(384)	100%
Streets & Pavements	(7 611 964)	(5 392 000)	(2 219 964)	41%
Sewerage	(2 267 533)	(2 500 000)	232 467	.9%
	(10 220 070)	(7 892 000)	(2 328 070)	29%

Details of material variances

Budget & Treasury Office - Donated asset and computer equipment
 Library - Additional improvements
 Streets & Pavements - Grants received after the annual adjustment budget was approved

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance				
Unauthorised expenditure current year - capital		219 275		
Unauthorised expenditure current year - operating		60 185	949 299	
Approved by Council or condoned		(279 460)	(949 299)	
Transfer to receivables for recovery				
Unauthorised expenditure awaiting authorisation				

Incident	Disciplinary steps/criminal proceedings
None	None

38.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance				
Fruitless and wasteful expenditure current year				
Condoned or written off by Council				
Transfer to receivables for recovery - not condoned				
Fruitless and wasteful expenditure awaiting condonement				

Incident	Disciplinary steps/criminal proceedings
None	None

38.03 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance				
Irregular expenditure - prior year identified in current year	1 889 096			
Irregular expenditure current year	2 190 233			
Condoned or written off by Council	(4 079 329)			
Transfer to receivables for recovery - not condoned				
Irregular expenditure awaiting condonement				

Incident	Disciplinary steps/criminal proceedings
2012 - Frantic Signs R19 992.75	None
2012 - Warley Parsons RB72 483.12	None
2012 - LM Construction R400 000.00	None
2012 - Paart Beton R897 756.81	None
2011 - LM Construction R1 889 096.00	None

19 993
872 483
400 000
897 757
1 889 096

4 079 329

38.04 Material Losses

Electricity distribution losses

Units purchased (Kwh)	6 603 370	8 412 346
- Units lost during distribution (Kwh)	1 233 484	1 137 922
- Percentage lost during distribution	14.29%	13.53%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	200 000	100 000
Amount paid - current year	(200 000)	(100 000)
Balance unpaid (included in creditors)	-	-

39.02 Audit fees - [MFMA 125 (1)(b)]

Opening balance	1 012 125	901 793
Current year audit fee	1 012 125	901 793
External Audit - Auditor-General	(1 012 125)	(901 793)
Amount paid - current year	-	-

Balance unpaid (included in creditors)39.03 VAT - [MFMA 125 (1)(b)]

Opening balance	(883 990)	(451 018)
Amounts received - current year	2 530 770	2 865 913
Amounts claimed - current year (payable)	(3 498 562)	(3 749 903)
Amounts received - current year	883 990	451 018
Amounts received - previous year	(967 792)	(883 990)

Closing balance

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

39.04 PAYE, SDA and UIF - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	1 766 186	1 518 387
Amount paid - current year	(1 766 186)	(1 518 387)
Balance unpaid (included in creditors)	-	-

39.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	2 630 413	2 406 268
Amount paid - current year	(2 630 413)	(2 406 268)
L.A. Health	(224 891)	(224 814)
Munimed	(29 346)	(25 878)
Cape Pension Fund	(346 363)	(279 612)
Hosmed	(683 124)	(640 724)
Cape Joint Retirement Fund	(971 960)	(863 753)
SAMWU Provident Fund	(374 730)	(371 467)
Balance unpaid (included in creditors)	-	-

39.06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2012:

	2012 R	2011 R
	Outstanding more than 90 days	Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-

39.07 Quotations awarded - Section 45 - Supply Chain Management

Mr C van der Merwe - Chief Operations Manager's Wife - Brother-in-law

2 566 265	851 141
2 560 265	851 141

40 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

2 689 496	-
2 689 496	-
2 689 496	-

This expenditure will be financed from:

Government Grants

2012 R	2011 R
2 689 496	-
2 689 496	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
41 FINANCIAL RISK MANAGEMENT		

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2012 R	2011 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
0.5% Increase in interest rates	108 011	105 737
0.5% Decrease in interest rates	(108 011)	(105 737)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Exchange Receivables				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	0.00%	0	0.00%	0

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 & 16 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	100.00%	1 621 785	100.00%	2 537 619
Exchange Receivables				
Electricity	23.50%	327 612	20.62%	914 382
Water	5.87%	81 883	28.50%	1 263 980
Refuse	17.70%	246 827	19.92%	883 441
Sewerage	7.70%	107 354	23.74%	1 052 750
Other	45.23%	630 541	7.23%	320 760
	100.00%	1 394 216	100%	4 435 293

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Government	0.00%	-	0.00%	-
Industrial	1.58%	47 619	0.00%	-
Residential	98.09%	2 958 305	0.00%	-
Indigents	0.33%	10 078	0.00%	-
	100.00%	3 016 001	0%	-

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Exchange Receivables				
Services	88.43%	3 495 997	0.00%	-
Other	11.57%	457 916	0.00%	-
	100.00%	3 956 912	0.00%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2012 R	2011 R
--	-----------	-----------

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	66 048	70 661
Trade receivables and other receivables	1 983 994	2 368 575
Cash and Cash Equivalents	21 602 265	21 147 362
	23 652 307	23 566 599

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

41 FINANCIAL RISK MANAGEMENT (CONTINUE)

2012
R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Provisions - Landfill Sites	-	1 029 714	-	17 515 513
Capital repayments	-	817 420	-	5 672 924
Interest	-	212 294	-	11 842 589
Trade and Other Payables	877 202	-	-	-
Consumer Deposits	268 759	-	-	-
Unspent conditional government grants and receipts	2 068 028	-	-	-
	3 213 989	1 029 714		17 515 513
2011				
Provisions - Landfill Sites	-	1 029 714	-	17 515 513
Capital repayments	-	778 495	-	5 402 785
Interest	-	251 219	-	12 112 728
Trade and Other Payables	902 009	-	-	-
Consumer Deposits	244 389	-	-	-
Unspent conditional government grants and receipts	3 509 447	-	-	-
	4 655 844.59	1 029 714		17 515 513

42 FINANCIAL INSTRUMENTS

2012
R2011
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

42.1	<u>Financial Assets</u>	<u>Classification</u>	2012 R	2011 R
	Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	77 921	86 967
	Consumer Debtors			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	2 093 966	5 310 629
	Other receivables from exchange transactions	Financial instruments at amortised cost	1 639 423	2 016 958
	Current Portion of Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	9 045	8 692
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	21 376 614	21 134 211
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	225 652	13 151
			25 422 621	28 570 608
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortized cost		25 422 621	28 570 608

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
42	FINANCIAL INSTRUMENTS (CONTINUE)			
42.2	Financial Liability	Classification		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	705 465	726 970
	Payments received in advance	Financial instruments at amortised cost	169 655	172 822
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	2 068 026	3 509 447
			<u>2 943 148</u>	<u>4 409 238</u>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		<u>2 943 148</u>	<u>4 409 238</u>
43	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 30 June 2012			
44	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
45	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
46	CONTINGENT LIABILITY			
	The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.			
	Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The TASK gradings of Kreeberg Municipality is not finalised.			
47	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
47.1	Related Party Transactions			
		Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12
	Year ended 30 JUNE 2012			Outstanding Balances 30 June 2012
	Councillors	17 353	16 763	1 328
	Municipal Manager and Section 56 Employees	17 729	36 243	1 210
	The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.			
47.2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 14 to the Annual Financial Statements.			
47.3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.			
47.4	Other related party transactions		2012 R	2011 R
	The following purchases were made during the year where Councillors or Management have an interest:			
	Councillor/Staff Member			
	Mr C van der Merwe - Chief Operations Manager Wife's - Brother-in-law	<u>2 566 265</u>	<u>851 141</u>	
		<u>2 566 265</u>	<u>851 141</u>	

FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 5.03:1 from 3.86:1 in the prior year.

The municipality have budgeted for a surplus of R4 966 000 for the 2011/2012 financial year. The municipality is also budgeting for negative cash flows during 2012/2013 and 2013/2014 amounting to R6 236 000 and R6 245 554 respectively.

The average debtors' payment days decreased to 104 days from 206 days.

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 46

APPENDIX A - audited

KAREEBERG LOCAL MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS									
DBSA	3.00%	Vehicles & Equipment Ref - K11, L23	31/12/2009	-	-	-	-	-	-
Total Annuity Loans				-	-	-	-	-	-
TOTAL EXTERNAL LOANS				-	-	-	-	-	-

APPENDIX B - audited

KAREEBERG LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Accumulated Depreciation				Carrying Value
						Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	28 563 500	-	-	-	74 500	28 509 000	-	-	-	28 509 000
Buildings	2 505 072	113 611	-	-	-	2 618 683	481 255	77 330	-	2 060 038
	31 068 572	113 611			74 500	31 127 683	481 255	77 330		558 565
Infrastructure										30 569 038
Electricity	4 330 597	-	-	-	-	4 330 597	152 895	198 675	-	3 979 028
Road Transport	12 048 294	2 631 574	4 708 714	-	-	19 394 583	1 261 400	498 720	-	17 634 463
Sanitation	17 266 223	12 461	2 255 072	-	-	19 533 757	1 175 640	670 249	-	1 845 889
Solid Waste Disposal	1 377 431	-	-	-	-	1 377 431	26 919	65 623	-	92 542
Stormwater	212 709	265 676	-	-	-	478 385	28 502	20 950	-	1 284 850
Water Supply	13 912 236	-	-	-	-	13 912 236	1 477 179	506 975	-	428 933
	49 147 492	2 915 711	6 963 787			59 026 980	4 122 535	1 961 192		11 928 083
Community Assets										6 083 727
Recreation Grounds	1 277 432	-	-	-	-	1 277 432	376 250	31 160	-	407 411
Civil Buildings	651 277	-	-	-	-	651 277	237 773	14 298	-	252 071
Cemetery	18 000	-	-	-	-	18 000	2 402	539	-	2 941
Museum	450 000	-	-	-	-	450 000	60 041	13 484	-	73 525
Clinic	451 000	-	-	-	-	451 000	60 175	13 514	-	73 688
Libraries	834 384	-	-	-	-	834 384	104 295	25 244	-	129 540
Parks & Gardens	41 070	-	-	-	-	41 070	20 546	710	-	21 256
Public Conveniences/Bathhouses	65 150	121 297	-	-	-	206 447	42 589	1 471	-	19 814
	3 808 314	121 297				3 929 611	904 081	100 420		44 070
Heritage Assets										162 377
Historical Buildings	4 900	-	-	-	-	4 900	-	-	-	4 900
Vehicles	10 000	-	-	-	-	10 000	-	-	-	10 000
Furniture & Fixtures FA	4 276	-	-	-	-	4 276	-	-	-	4 276
	19 176					19 176				19 176
Total carried forward	84 053 554	3 150 619	6 963 787	74 500	94 103 460	5 507 871	2 138 942	-	7 646 813	86 456 647

APPENDIX B - audited
KAREEBERG LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

		Cost						Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Total brought forward		84 063 554	3 150 619	6 963 787		74 500	94 103 460	5 507 871	2 130 942	-	7 646 013	86 456 647
Housing Rental Stock		-	-	-	-	-	-	-	-	-	-	-
Housing Rentals		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Leased Assets		-	-	-	-	-	-	-	-	-	-	-
Office Equipment (Lease)		-	-	-	-	-	-	-	-	-	-	-
Biological Assets		-	-	-	-	-	-	-	-	-	-	-
Game	171 584	26 450	-	-	5 700	192 334	-	-	-	-	-	192 334
171 564	26 450	-	-	5 700	192 334	-	-	-	-	-	-	192 334
Other Assets		-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	2 533 586	-	-	4 190	2 529 396	1 423 939	209 289	4 190	1 629 039	-	-	900 358
Plant & Equipment	1 057 919	394	-	124 354	933 958	683 580	76 541	124 354	635 867	-	-	298 091
Office Equipment	532 118	23 900	-	34 668	521 150	300 062	30 972	34 668	296 165	-	-	224 984
Furniture & Fittings	921 045	48 967	-	72 616	897 196	539 039	48 504	72 650	515 794	-	-	381 402
Fire Engines	16 685	-	-	-	16 685	10 341	636	-	10 977	-	-	5 708
Computer Equipment	550 239	32 404	-	70 290	512 353	252 661	40 266	70 287	222 640	-	-	289 713
Refuse Tankers	549 766	-	-	-	549 766	403 220	31 860	-	435 080	-	-	114 666
6 161 358	105 664	-	-	306 518	5 960 504	3 613 742	436 169	306 349	3 745 582	-	-	2 214 542
Total Property, Plant and Equipment	90 396 496	3 202 734	6 963 787	386 718	100 256 298	9 121 613	2 577 111	306 349	11 392 375	88 863 943	-	-
Investment Property												
Land	9 906 800	-	-	-	9 906 800	-	-	-	-	-	-	9 906 800
Buildings	369 900	-	-	-	369 900	49 354	12 364	-	-	61 718	-	303 182
10 276 700	-	-	-	-	10 276 700	49 354	12 364	-	-	61 718	-	10 214 962
Intangible Assets												
Computer Software	200 798	5 039	-	8 482	197 355	45 449	67 203	7 750	104 903	-	-	92 452
200 798	5 039	-	8 482	197 355	45 449	67 203	7 750	104 903	-	-	-	92 452
100 873 993	3 207 773	6 963 787	395 200	110 730 352	9 216 416	2 656 678	314 089	11 556 995	11 171 357	-	-	-
Total												

APPENDIX C - Audited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Opening Balance	Additions	Cost	WIP	Disposals	Closing Balance	Opening Balance	Additions	Accumulated Dispositions	Depreciation	Closing Balance	Carrying Value
Municipal Buildings	33 711 988	-	-	-	74 500	33 637 488	932 590	149 775	-	-	1 082 365	32 555 122
Budget & Treasury Office	1 253 248	187 385	-	-	68 730	1 371 902	643 852	70 829	68 581	-	646 101	725 802
Library	725 770	152 794	-	-	69 999	808 565	372 139	41 201	69 999	-	343 340	465 224
Museum	36 456	-	-	-	-	36 456	10 436	974	-	-	11 409	25 047
Electricity Administration	4 773 501	394	-	-	26 250	4 747 644	443 867	234 311	26 232	-	651 947	4 095 698
General Expenditure of Council	11 817	-	-	-	-	11 817	2 477	935	-	-	3 412	8 405
Health Service	6 063	-	-	-	-	6 063	4 787	256	-	-	5 043	1 020
Fire Department	47 859	-	-	-	-	47 859	27 722	2 021	-	-	29 742	18 117
Public Works	12 744 107	-	-	-	-	12 741 277	1 569 325	515 344	2 830	-	2 081 840	10 659 437
Streets & Pavements	418 966	2 903 250	4 708 714	5 586	-	8 025 344	277 382	53 047	5 586	-	324 844	7 700 501
Licensing & Traffic	337 718	-	-	-	-	337 718	171 611	5 871	-	-	177 481	160 237
Nature Reserve	29 279	-	-	-	-	29 279	14 648	506	-	-	15 154	14 126
Parks & Open areas	757 932	-	-	-	-	757 932	317 785	15 389	-	-	333 174	424 759
Swimming Pool	3 603	-	-	-	-	3 603	2 845	51	-	-	2 895	708
Caravan Park	11 791	-	-	-	-	11 791	5 899	204	-	-	6 103	5 689
Refuse	1 927 197	-	-	-	-	1 927 197	430 139	97 483	-	-	527 622	1 399 575
Sewerage	19 110 719	12 461	2 255 072	-	1 692	21 376 560	2 183 830	822 488	1 692	3 004 626	18 371 934	
Water Provision	14 316 899	-	-	-	131 430	14 185 469	1 710 281	566 428	131 429	2 145 279	12 040 190	
TOTAL	90 224 912	3 256 284	6 963 787	381 018	100 063 964	9 121 613	2 577 111	306 349	11 392 375	88 671 589		

APPENDIX C - Audited

KAREEBERG LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012
GENERAL FINANCE STATISTICS CLASSIFICATION

	Opening Balance	Additions	Cost/Revaluation	WIP	Disposals	Closing Balance	Opening Balance	Additions	Accumulated Dispositions	Depreciation	Disposals	Closing Balance	Carrying Value		
Executive & Council	17 130	-	-	-	143 230	17 130	5 084	1 077	-	6 161	-	10 969			
Budget & Treasury Office	34 959 923	187 385	-	-	-	35 004 077	1 573 836	220 462	68 581	1 725 717	33 278 360				
Health	6 063	-	-	-	-	6 063	4 787	256	-	5 043	1 020				
Community & Social Services	762 226	152 794	-	-	69 999	845 021	382 574	42 175	69 999	354 750	490 271				
Public Safety	47 859	-	-	-	-	47 859	27 722	2 021	-	29 742	18 117				
Sport & Recreation	802 605	-	-	-	-	802 605	341 176	16 149	-	357 325	445 281				
Waste Management	1 960 430	12 461	2 255 072	-	148	4 227 815	431 711	101 032	148	532 595	3 695 221				
Waste Water Management	19 077 486	-	-	-	1 544	19 075 942	2 182 258	818 940	1 544	2 999 653	16 076 289				
Road Transport	13 500 790	2 903 250	4 708 714	-	8 416	21 104 339	2 018 318	574 263	8 416	2 584 165	18 520 174				
Water	14 316 899	-	-	-	131 430	14 185 469	1 710 281	566 428	131 429	2 145 279	12 040 190				
Electricity	4 773 501	394	-	-	26 250	4 747 644	443 867	234 311	26 232	651 947	4 095 698				
	90 224 912	3 256 284	6 963 787		381 018	100 063 964	9 121 613	2 577 111		306 349	11 392 375	88 671 589			

**APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
6 195	(120 548)	(114 353)	Cemetery	9 745	(140 381)	(130 636)
1 102	(676 005)	(674 903)	Library	1 376	(786 263)	(784 887)
-	(96 922)	(96 922)	Museum	-	(119 892)	(119 892)
-	(1 249 183)	(1 249 183)	Corporate Services	-	(1 391 790)	(1 391 790)
5 840 750	(116 533)	5 724 217	Electricity Administration	6 957 425	(134 451)	6 822 974
-	(5 113 479)	(5 113 479)	Electricity Generation	-	(6 652 258)	(6 652 258)
-	(426 504)	(426 504)	Electricity Distribution	-	(399 464)	(399 464)
29 027 036	(18 840 751)	10 186 284	General Expenditure of Council	27 276 997	(19 814 629)	7 462 368
2 640	(1 198)	1 442	Official Housing	2 760	(1 879)	881
4 634 745	-	4 634 745	Property Rates	5 436 305	-	5 436 305
387 155	(91 298)	295 857	Commonage	469 884	(75 055)	394 829
35 551	(145 116)	(109 565)	Municipal Buildings	22 719	(220 584)	(197 865)
2 418 955	(6 238 639)	(3 819 684)	Municipal Manager/Treasurer	2 196 067	(5 481 611)	(3 285 544)
-	(1 630)	(1 630)	Health Service	-	(955)	(955)
-	(19 263)	(19 263)	Nursing Service	-	(35 729)	(35 729)
300	(70 355)	(70 055)	Air Port	-	(46 440)	(46 440)
-	(24)	(24)	Abattoir	-	(24)	(24)
-	(13 852)	(13 852)	Fire Department	-	(15 533)	(15 533)
-	(21 917)	(21 917)	Civil Protection	-	(28 502)	(28 502)
780	(33 818)	(33 038)	Pound	3 510	(39 858)	(36 348)
540	(1 885 927)	(1 885 387)	Public Works	570	(1 616 521)	(1 615 951)
-	(528 913)	(528 913)	Streets & Pavements	-	(928 886)	(928 886)
7 100	(203 198)	(196 098)	Licensing & Traffic	5 450	(162 797)	(157 347)
27 100	(120 502)	(93 402)	Nature Reserve	26 450	(205 479)	(179 029)
700	(250 567)	(249 867)	Parks & Open areas	-	(355 947)	(355 947)
8 464	(73 649)	(65 185)	Swimming Pool	15 040	(103 491)	(88 451)
8 200	(7 793)	407	Caravan Park	6 720	(13 216)	(6 496)
2 585 291	(2 345 036)	240 255	Refuse	2 781 414	(2 636 815)	144 599
2 251 070	(2 352 012)	(100 941)	Sewerage & Cleansing	2 384 737	(2 507 446)	(122 709)
-	(341 315)	(341 315)	Water Distribution	-	(369 410)	(369 410)
3 426 488	(536 616)	2 889 872	Water Provision	3 713 010	(896 814)	2 816 196
50 670 162	(41 922 561)	8 747 600	Sub Total	51 310 179	(45 182 121)	6 128 059
-	1 580 141	1 580 141	Less Inter-Departmental Charges	-	1 963 652	1 963 652
50 670 162	(40 342 420)	10 327 741	Total	51 310 179	(43 218 469)	8 091 711

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R	2012		2012 Surplus/ (Deficit) R
			Actual Income R	Actual Expenditure R	
29 027 035.79	(18 840 751)	10 186 284	27 276 997	(19 814 629)	7 462 368
7 479 345.37	(6 546 630)	932 715	8 127 735	(5 825 593)	2 302 142
-	(1 249 183)	(1 249 183)	-	(1 391 790)	(1 391 790)
-	(20 893)	(20 893)	-	(36 684)	(36 684)
7 297.20	(893 475)	(886 178)	11 121	(1 046 537)	(1 035 415)
780.00	(69 587)	(68 807)	3 510	(83 894)	(80 384)
44 464.00	(452 510)	(408 046)	48 210	(678 133)	(629 923)
2 585 290.84	(2 345 036)	240 255	2 781 414	(2 636 815)	144 599
2 251 070.33	(2 352 012)	(100 941)	2 384 737	(2 507 446)	(122 709)
7 640.00	(2 618 038)	(2 610 398)	6 020	(2 708 204)	(2 702 184)
3 426 488.04	(877 931)	2 548 557	3 713 010	(1 266 223)	2 446 787
5 840 750.03	(5 656 516)	184 234	6 957 425	(7 186 173)	(228 747)
50 670 162	(41 922 561)	8 747 600	Sub Total	-	-
-	1 580 141	1 580 141	Less Inter-Departmental Charges	1 963 652	1 963 652
50 670 162	(40 342 420)	10 327 741	Total	51 310 179	(43 218 469)
					8 091 711

APPENDIX E(1) - Audited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)
REVENUE				
Property Rates	3 878 347	3 993 222	(114 875)	-2.88%
Government Grants and Subsidies	28 738 668	21 509 000	7 229 868	33.61%
Fines	22 806	12 230	10 576	86.48%
Actuarial Gains	339 167	-	339 167	100.00%
Property Rates - Penalties & Collection Charges	199 288	190 000	9 288	4.89%
Service Charges	14 856 392	14 523 573	332 819	2.29%
Rental of Facilities and Equipment	525 966	409 730	116 236	28.37%
Interest Earned - External Investments	925 184	1 297 000	(371 816)	-28.67%
Interest Earned - Outstanding Debtors	3 677	3 300	377	11.42%
Licenses and Permits	11 202	14 200	(2 998)	-21.11%
Agency Services	119 540	80 000	39 540	49.42%
Other Revenue	1 564 367	3 122 493	(1 558 126)	-49.90%
Contributed PPE	121 297	-	121 297	100.00%
Total Revenue	51 310 179	45 171 748	6 138 431	13.59%
EXPENDITURE				
Cemetery	(140 381)	(147 023)	6 642	-4.52%
Library	(786 263)	(818 983)	32 720	-4.00%
Museum	(119 892)	(133 724)	13 832	-10.34%
Corporate Services	(1 391 790)	(1 538 776)	146 986	-9.55%
Electricity Administration	(134 451)	(172 917)	38 466	-22.25%
Electricity Generation	(6 652 258)	(6 733 799)	81 541	-1.21%
Electricity Distribution	(399 464)	(386 238)	(13 226)	3.42%
General Expenditure of Council	(19 814 629)	(15 700 964)	(4 113 665)	26.20%
Official Housing	(1 879)	(3 892)	2 013	-51.73%
Commonage	(75 056)	(82 732)	7 677	-9.28%
Municipal Buildings	(220 564)	(250 387)	29 803	-11.90%
Municipal Manager/Treasurer	(5 481 611)	(4 817 955)	(663 656)	13.77%
Health Service	(955)	(955)	-	100.00%
Nursing Service	(35 729)	(57 349)	21 620	-37.70%
Airport	(46 440)	(58 140)	11 700	-20.12%
Abattoir	(24)	(547)	523	-95.56%
Fire Department	(15 533)	(16 760)	1 227	-7.32%
Civil Protection	(28 502)	(36 215)	7 713	-21.30%
Pound	(39 658)	(45 593)	5 735	-12.58%
Public Works	(1 616 521)	(2 171 878)	555 357	-25.57%
Streets & Pavements	(928 886)	(901 228)	(27 658)	3.07%
Licensing & Traffic	(162 797)	(247 161)	84 364	-34.13%
Nature Reserve	(205 479)	(227 399)	21 920	-9.64%
Parks & Open areas	(355 947)	(342 512)	(13 435)	3.92%
Swimming Pool	(103 491)	(123 536)	20 045	-16.23%
Caravan Park	(13 216)	(26 284)	13 068	-49.72%
Refuse	(2 636 815)	(2 767 080)	130 265	-4.71%
Sewerage & Cleansing	(2 507 446)	(2 958 838)	461 392	-15.54%
Water Distribution	(369 410)	(364 499)	(4 911)	1.35%
Water Provision	(895 814)	(1 011 997)	115 183	-11.38%
Less Inter-Departmental Charges	1 963 652	1 948 658	14 994	0.77%
Total Expenditure	(43 218 469)	(40 205 748)	(3 012 721)	7.49%
SURPLUS / (DEFICIT) FOR THE YEAR	8 091 711	4 956 000	3 125 711	62.94%

APPENDIX E(1) - Audited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)
REVENUE				
Property Rates	3 878 347	3 993 222	(114 875)	-2.88%
Government Grants and Subsidies	28 738 868	21 509 000	7 229 868	33.61%
Fines	22 806	12 230	10 576	86.48%
Actuarial Gains	339 167	-	339 167	100.00%
Property Rates - Penalties & Collection Charges	199 288	190 000	9 288	4.89%
Service Charges	14 856 392	14 523 573	332 819	2.29%
Rental of Facilities and Equipment	525 966	409 730	116 236	28.37%
Interest Earned - External Investments	925 184	1 297 000	(371 816)	-28.67%
Interest Earned - Outstanding Debtors	3 677	3 300	377	11.42%
Licences and Permits	11 202	14 200	(2 998)	-21.11%
Agency Services	119 540	80 000	39 540	49.42%
Other Revenue	1 564 367	3 122 493	(1 558 126)	-49.90%
Unamorised Discount - Interest	4 079	17 000	(12 921)	-76.01%
Contributed PPE	121 297	-	121 297	100.00%
Total Revenue	51 310 179	45 171 748	6 138 431	13.59%
EXPENDITURE				
Executive & Council	(19 814 629)	(15 700 964)	(4 113 665)	26.20%
Budget & Treasury	(5 825 593)	(5 213 653)	(611 940)	11.74%
Corporate Services	(1 391 790)	(1 538 776)	146 986	-9.55%
Health	(36 684)	(57 349)	20 665	-36.03%
Community & Social Services	(1 046 537)	(1 099 730)	53 193	-4.84%
Public Safety	(83 894)	(98 568)	14 674	-14.89%
Sport & Recreation	(678 133)	(719 731)	41 598	-5.78%
Waste Management	(2 636 815)	(2 767 080)	130 265	-4.71%
Waste Water Management	(2 507 446)	(2 968 838)	461 392	-15.54%
Road Transport	(2 708 204)	(3 320 267)	612 053	-18.43%
Water	(1 266 223)	(1 376 496)	110 273	-8.01%
Electricity	(7 186 173)	(7 292 954)	106 781	-1.46%
Less: Interdepartmental Charges	1 963 652	1 948 658	14 994	0.77%
Total Expenditure	(43 218 459)	(40 205 748)	(3 012 721)	7.49%
SURPLUS / (DEFICIT) FOR THE YEAR	8 091 711	4 966 000	3 125 711	62.94%

APPENDIX E (2) - Audited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
MUNICIPAL VOTES CLASSIFICATION

	2012		2012		2012	
	Actual	Total	Budget	Variance	R	%
	R	R	R	R		
Budget & Treasury Office	187 385	187 385	-	187 385		100.00%
Library	152 794	152 794	-	152 794		100.00%
Electricity Administration	394	394	-	394		100.00%
Streets & Pavements	7 611 964	7 611 964	5 392 000	2 219 964		41.17%
Sewerage	2 267 533	2 267 533	2 500 000	(232 467)		-9.30%
Total	10 220 070	10 220 070	7 892 000	2 328 070		29.50%

APPENDIX E (2) - Audited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance %
	R	R	R	R	R
Budget & Treasury Office	187 385	187 385	-	187 385	100.00%
Community & Social Services	152 794	152 794	-	152 794	100.00%
Waste Management	2 267 533	2 267 533	2 500 000	(232 467)	-9.30%
Road Transport	7 611 964	7 611 964	5 392 000	2 219 964	41.17%
Electricity	394	394	-	394	100.00%
Total	10 220 070	10 220 070	7 892 000	2 328 070	29.50%

APPENDIX F - Audited

KAREEBERG LOCAL MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2011	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
Job Creation De-Bt	34 100	-	935	-	-	-	35 035
Land Development	55 697	662	-	-	-	-	56 359
Civil Defence	16 972	476	-	-	-	-	17 448
Job Creation	11 663	285	-	-	-	-	-
Geotechnical Investigation	6 186	186	-	-	-	-	-
TV Fund	10 138	8	-	-	-	-	-
CMIP Kwaggakolk (VAT)	140 148	141	-	-	-	-	-
Municipal Systems Improvement Grant	-	-	1 200 000	1 193 672	6 328	140 289	-
Sanitation - sewerage	2 930 801	-	-	1 164 203	269 576	1 477 022	-
Electricity	32 719	33	-	-	-	-	32 752
Water Service Plan	3 062	2	-	-	-	-	3 064
CMIP - Staapoor project 301	3 361	2	-	-	-	-	3 363
Library Development Projects	-	-	501 000	339 272	161 728	-	-
Paving Projects	22 119	22	-	-	-	-	22 141
Lotto Camaroon	1 701	1	-	-	-	-	1 702
Lotto Vosburg	29 958	30	-	-	-	-	29 988
Municipal Finance Management Grant	-	-	1 450 000	1 420 789	29 211	-	-
Transfer Fees Sub-Economic	116 394	3 790	-	-	-	-	120 184
Cleaning Project Vosburg	23 916	24	-	-	-	-	23 940
VAT - Retention	11 098	11	-	-	-	-	11 109
Municipal Infrastructure Grant	-	-	7 892 000	960 924	6 931 076	-	-
Youth Development	-	-	93 632	-	-	-	93 632
Kareebberg Festival	-	27	-	-	-	-	-
Housing 81 homes	-	-	2 381 959	59 440	2 381 969	-	-
Department of Economic Affairs - Fly-in	-	-	100 000	100 000	-	-	-
Premier's Funds - Job Creation	-	-	325 000	325 000	-	-	-
Water Assistance	-	-	639 879	639 879	-	-	-
Expanded Public Works Program	-	-	3 755 955	1 085 680	2 670 285	-	-
Total	3 509 447	-	6 632	18 339 445	9 699 293	10 088 203	2 068 028
Total Receipts	3 509 447	-	6 632	18 339 445	9 699 293	10 088 203	2 068 028